

PC Smashes Vodafone Deal



The acclaimed anti-corruption crusader and MP for Asikuma, Odoben Brakwa, has hand delivered a letter to President Mills last Friday, urging him to review the VODAFONE deal because he believes it amounts to a sell off

Hon. P.C Appiah-Ofori said a careful cost benefit analysis of the \$900,000,000 said to have been paid to the Government of Ghana really means 162 million dollars, when the amount is set off against liabilities which have been imposed on the Government of Ghana.

The Sale and Purchase agreement which Parliament approved to pave way for the sale of 70 % of Ghana's interest in Ghana Telecom makes the provision for some expenses and liabilities to be borne by the Government.

In the agreement, the values of the liabilities imposed on the Ghana Government are clearly stated, while the values of some others are not mentioned at all! When the liabilities with values are set off against the purchase price, the net proceeds to Ghana from the sale of 70% of Ghana's shares stand at \$161,981,037.00".

He raised another alarming feature of the sale - the national security implications of entrusting such an asset into foreign hands - the fibre optic network and what was likely to happen if the Government is unable for one reason or the other to pay its Telecom bill, and suffer been disconnected (something which happens) - "Indeed the security of the state will suffer serious shipwreck!"

Re: Appeal for revocation of the sale of Ghana's 70% interest in the Ghana Telecommunication Company Limited (GT) and for restoration of the status quo

On 8th July 2008, the Office of the Clerk, Parliament House, received a letter from the Ministry of Communication, seeking the approval of Parliament for the sale of 70% of Ghana's interest in the Ghana Telecommunication Company Limited (GT) to VODAFONE INTERNATIONAL HOLDINGS B. V. A copy of the letter is attached.

This is a registered company in Holland. Consequent upon this the document was laid in Parliament and the Speaker referred it, together with the Sale and Purchase Agreement, to a Joint Committee of Finance and Communications for consideration and a report thereon to Parliament.

Attached to the letter referred to above from the Ministry of Communication was a letter No. OP/CA17/v.2 dated 7th July 2008 from the Office of the former President conveying Executive Approval for the sale of 70% of Ghana's interest in the Ghana Telecommunication Company Limited to VODAFONE PLC., UNITED KINGDON, (UK) (a copy attached).

In an Order Paper of Parliament dated Thursday, 14th August 2008 (a copy also attached), two motions to be moved in the House by the Chairman of the Finance Committee of Parliament and one Resolution to be moved by the Minister of Finance and Economic Planning for the sale of the 70% shares in GT made reference to VODAFONE INTERNATIONAL

HOLDINGS B.V. and not VODAFONE PLC, UNITED KINGDOM (UK) for which the sale of 70% of Ghana's interest in GT had been authorized by the former President.

After my examination of the two letters referred to above, the Sale and Purchase Agreement deliberated upon by the Joint Committee, and the two motions by the Finance Committee Chairman and the Resolution by the Minister of Finance and Economic Planning, I took a firm decision to oppose the sale of the 70% of Ghana's interest in GT if the motions for the sale were moved on the floor of the House. Try as I did I was prevented by the Majority Leadership in Parliament from speaking.

Consequent upon this, the said Motions and Resolution were moved and passed by the House resulting in the sale of the 70% shares owned by Ghana in Ghana Telecommunication Company Ltd to VODAFONE INTERNATIONAL HOLDINGS B.V INSTEAD OF VODAFONE PLC, UNITED KINGDOM (UK) as authorized by the former President.

Because of the December 2008 general election, I decided to defer making public my grounds for opposing the sale of GT as I did not want to do anything that would harm the fortunes of my party, NPP, at the elections.

My hope was that Hon. Nana Akuffo Addo would succeed former President Kufour and therefore I had planned to send him this petition to call on him to revoke the sale of GT and retrieve Ghana's interest sold. Now that you have become the President of Ghana instead of my choice and going by your own public utterances about the sale of GT, I feel encouraged to submit my appeal to you for your consideration with your cabinet.

Grounds for Opposing the Sale of GT

The grounds for my opposition to the sale of the 70% interest Ghana held in GT are:

1. Parliament acted ultra vires and therefore the sale of the 70% shares was null and void ab initio. While the former President, by his letter No. OP/CA17/V.2 dated 7th July 2008, conveyed the Executive Approval for the sale of the 70% of Ghana's interest in GT to VODAFONE PLC., UNITED KINGDOM (UK), Parliament gave approval for the sale of the 70% in GT to VODAFONE INTERNATIONAL HOLDINGS B.V. IN HOLLAND.

2. Article 108 (b) of the 1992 Constitution states in part as follows:

Parliament shall not, unless the motion is introduced by or on behalf of the President, proceed upon a motion, including an amendment to a motion, the effect of which would be to make provision for any of the purposes specified in paragraph (a) of this article".

One of the purposes specified in paragraph (a) of article 108 of the Constitution is to forbid Parliament from passing a motion or resolution that imposes a charge on the Consolidated Fund or any other public funds. As the motions and resolution moved in Parliament for the sale of 70% of Ghana's interest in GT were not those of the President, and as the Purchase and Sale Agreement in respect of the sale of the 70% interest Ghana held in GT imposes a charge on the Consolidated Fund and as the motions and resolution were not moved on behalf of the President, as required under article 108(b) of the Constitution of Ghana such motions and resolution passed by Parliament were inconsistent with article 108(b) of the Constitution and therefore the alleged sale of 70% of Ghana's interest in GT is null and void ab initio.

3. The privatization of GT imposes a threat of a serious cash flow problem to the Government of Ghana to the detriment of national development.

The Government of Ghana's average monthly consumption costs of GT's service for the first six months of 2008 I obtained from the former Managing Director of GT are produced below: ¢ GH¢

Fixed Network	17,441,567,500	1,744,159
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One Touch Protocol	9,715,458,117	971,546
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One Touch Post Paid	1,130,970,300	113,097
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Per month	28,288,015,977	2,828,802
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Per Annum	339,456,191,724	33,945,624
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As shown above, the Government of Ghana's average annual consumption cost of GT's service, all things being equal, is ¢339,456,191,724 or GH¢33,945,624. As a state enterprise, the Management of GT would shudder at the thought of disconnecting GT's service to the Government if it had not settled bills. But as it is now Ghana Government shall be compelled to raise money regularly to pay the bills failing which the Government will face constant threat of disconnection of GT's services, an untoward situation which could not, by any stretch of imagination, happen had GT remained a state owned investment.

4. In the likely event that, as a result of its inability to raise money to pay bills for GT's service promptly and the Government of Ghana suffers disconnection of GT's services, the business of the government machinery, with its headquarters at the castle, will be jeopardized.

If contacts to and from the Ministries, Departments and Agencies are lost as a result of disconnection of telephone lines, and in consequences, fixed network cannot be operated for telephone calls, faxes, emails, telexes etc., the business of the state will be in ruins. Needless to mention what will be in store for Ghana if the Ghana Arm Forces, the Ghana Police Service, the Immigration Service, Customs and Preventive Service, the Bureau of National Investigations and

all other security agencies cannot contact or be contacted. Indeed the security of the state will suffer serious shipwreck.

5. The Sale and Purchase Agreement which Parliament approved to pave the way for the sale of 70% of Ghana's interest in GT makes provisions for some expenses and liabilities to be borne by the Government of Ghana. In the Sale and Purchase Agreement, the values of the liabilities imposed on the Government of Ghana are clearly stated while the values of some others are not mentioned at all. When the liabilities with values are set off against the purchase price of \$900,000,000.00, the net proceeds to Ghana from the sale of 70% of Ghana's interest in GT stand at \$161,981,037.00 as per the details shown below: \$ \$ Gross Proceeds from the sale 900,000,000 Less:

- i. Net debts of GT absorbed by the GOG (Schedule 14 Part A of the Purchase and Sale Agreement) 433,333,000
- ii. End of service benefit from those who will loss their jobs as a result of the sale Of GT (Article 4.3) 40,000,000
- iii. GoG's share of the \$500,000,000 to be injected into the Enlarged Group 150,000,000
- iv. Liabilities not included in the closing

Adjusted Debt Statement which the GoG will pay vide article 13.1.2(c) of the Sale Agreement :

- a) Arbitration award in favour of Millicon Ghana Limited 215,983
- b) A claim by Akwass Farms 649,980
- c) A claim by Asuoka Plantation Ltd 100,000
- d) A claim by African Automobile Ltd 20,000,000 e) A claim by Amalgamated Bank Ltd 100,000
- f) Amount kept in an escrow account by the GoG for a period of 18 months after the Sale of GT to meet any claims by the Purchaser not included in the closing Adjusted Debt (article 3.5 (a) 63,000,000
- g) National Communication Backbone Network transferred to Vodafone free of charge 30,000,000

Total amount set off against the Sale Proceeds

737,398,963 737,398,963

Net Proceeds from the sale of GT 161,981,037

Some of the other obligations which call for cash outlay from the GoG but the amounts involved of which are not stated in the Purchase and Sale Agreement are stated below:

- a) Any additional End of Service payments for any employees who were in the employment of GT as at the date of closure, GoG will pay to the said employees the amounts involved. Any such amounts paid by GoG shall be treated as a contribution to GT and neither GT nor the Purchaser shall have any liability to GoG (Article 4.4)
- b) Any finders' and other fees claimed from GT by any person, GoG shall pay such amounts or invoice on behalf of GT (Article 10.3)
- c) In the event that there are any amounts demanded from GT in respect of GoG's liabilities, covering the period prior to the sale of GT, GoG shall pay such amounts to GT (article 10.9).
- d) Each Party shall pay its own costs and expenses incurred in the preparation, execution and carrying into effect of the Sale of Agreement (article 13.9)

If values were placed on items (a), (b), (c) and (d) stated in the immediately preceding paragraph, it cannot be disputed that the net proceeds to Ghana from the Sale of Ghana Telecommunication Ltd, made up of fixed network, One Touch Mobile Phone Service, Broadband, Data Product and other services would be far less than \$161,987,037.00. Was the national interest considered before the Government of NPP thought of selling GT?

I am sanguine that if the NPP Government as well as Parliament, especially the Majority Members in the House at that time, had done painstaking cost benefit analysis as I did or if I had been allowed to contribute to the debate, leading to the approval by the House of the sale of 70% shares in GT, it would have been realized that the costs to the nation outweigh the benefits and considering the unconstitutionality pointed out, both the government and Parliament would not have given approval for the sale of this very indispensable national asset.

6. From the information the former Managing Director of GT made available to me at my request, it came to my notice that the GT could generate ₵192,087,673,800.00 or GH₵19,208,767.38 or US\$12,805,845.00 per month, from the following services it runs: ₵ GH₵ US\$ Fixed Network Service 50,573,925,200 5,057,392.52 3,371,595 Onetouch Mobile Phone Service 127,130,090,000 12,713,009.00 8,475,339 Broadband Service 13,950,238,800 1,395,023.88 930,016 Data Product 433,419,800 43,341.98 28,895 TOTAL 192,087,673,800 19,208,767.38 12,805,845

One of the reasons assigned by the NPP government to privatize GT was that, the company was not being managed efficiently. Assuming that the efficiency level remains even as before, despite the advent of Vodafone and that this monthly average gross revenue remains unchanged, then in a year the total average gross revenues that will accrue to the new owners shall be ₵2,305,052,085,600 (₵2.305 trillion) or GH₵320,505,209 or US\$153,670,140. Assuming that

annual net profit that will accrue to the new owners of GT is put at 25% of the gross revenue and that revenue shall increase by 10% annually, then the net profit the new owners will earn in a year after the sale of GT shall be as follows: US\$ Year 1 38,417,535 Year 2 42,259,289 Year 3 46,485,218 Year 4 51,133,740 TOTAL 178,295,782

From the foregoing, if the net proceeds to Ghana from the sale of GT are put at \$161,987,037, then the new owners of GT shall recover what they spent to acquire the 70% of Ghana's interest in GT in less than four years. Does this make sense for the NPP government to do this?

7. About two or three years ago, the owners of MTN in Ghana gave US\$20,000,000, as a grant to the NPP government. If MTN could generate money from its operations of only mobile phone service in Ghana and was able to give US\$20 million as a gift to the Ghana Government, does it make sense to the government of NPP to dispose of a similar investment, OneTouch mobile phone service, in addition to the three other services GT runs and then turn round to pay for such services as a customer to the new owners?

8. Demand for some of the services GT runs is inelastic. Whatever the prices, consumers have no alternative. GT owned by Ghana would not repatriate profits from Ghana by changing cedis into foreign currency for export but the opposite is the case with Vodafone being the owner now. The effect of this is that pressure will be put on the cedi resulting in uncontrolled depreciation of the currency. When the cedi depreciates, costs of imports become high cost of production of goods and services rise and this results in high, prices of goods and services produced or rendered in Ghana and the standard of living of the people fall. With this you cannot give Ghanaians a better Ghana you promised them.

CONCLUSION It is clear from the foregoing analysis that the sale of GT by the NPP administration was not done in the interest of Ghana neither was it done constitutionally. Accordingly I appeal to you to revoke the sale agreement immediately. I am by a copy of this letter requesting the Council of State to throw its weight behind me. It is my earnest prayer and hope that you will favourably consider this appeal, in the interest of Ghana, for which I and indeed all good Ghanaians will be most grateful to you.

Yours faithfully HON. P. C. APPIAH-OFORI

Cc: 1. The Rt. Hon. Speaker, Office of Parliament

2. The Chief Justice of Ghana

3. The Council of State

4. The Hon. Minister of Communications 5. The Hon. Minister of Finance and Economic Planning 6. The Majority Leader 7. The Minority Leader

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